212-06: IMPLEMENTATION MECHANISMS

06-01: Introduction

The long-term economic viability of our state will depend on three factors: a skilled labor force, capital resources, and technology. This report focuses on an integral element of the capital resource, industrial land. We have found that much of Rhode Island's current supply of vacant industrial land has limited development potential; very few sizeable sites exist that are fully serviced and without environmental constraints. On the other hand, many sites may be suitable for expansion of existing industry, or, with more efficient deployment and reuse, for nurturing businesses typical of the "new economy."

In 1990, the authors of the original *Industrial Land Use Plan* recognized these challenges in the state's inventory of industrial land, and identified five specific needs:

- Improve the quality of existing industrial land.
- Preserve urban industrial sites.
- Improve land management techniques.
- Provide needed infrastructure.
- Provide for a straightforward permitting process.

In the nine intervening years since the publication of the *ILUP,* the "smart growth" concept has become popular among economic development practitioners. This is consonant with the five principles above, where providing "needed infrastructure" such as public water and sewer service – which will spur growth – is balanced by "improved land management techniques" that would concentrate development in discrete areas. Among these areas would be "urban industrial sites" that might occasionally be under pressure by market forces to be placed in some use other than industrial (e.g., residential or commercial).

To satisfy these five needs, the *ILUP* proposed initiating or committing to several innovative programs: an Industrial Land Reserve Fund, a mechanism to reuse urban industrial properties, Bank Community Development Corporations (CDCs), enterprise zones, business incubators, and a state Industrial Infrastructure Fund, operated as a revolving loan fund. Our research suggests that these proposals have withstood the test of time as implementation mechanisms. Three already exist as programs and should be continued and perhaps revitalized to deliver maximum performance.

06-02: The Mechanisms

06-02-01: Industrial Land Reserve Fund

The foremost goal of this plan is to ensure that Rhode Islanders wisely use a very finite resource, industrial-zoned land. There needs to be sufficient industrial land

to sustain and expand the state's economy over the long term. The staff has projected acreage needs to the year 2020 based on growth trends in various industry sectors. When we talk about reserving land currently zoned industrial for industrial use, we are really talking about conservation of the resource. Protection of industrial land logically leads to protection of *all* land, and use of *all* land in the most appropriate manner – industrial, commercial, residential, or open space.

In the 1990 *ILUP,* Statewide Planning proposed a concept called the Rhode Island Industrial Land Reserve Fund. This would be a targeted financial mechanism to acquire and assemble industrial land into viable parcels, to improve its capacity to support more intensive, or at least more efficient uses, and to function as a bank of money rather than a bank of land. By making existing industrial land more attractive to developers, the fund could truly reserve/conserve industrial land by discouraging its conversion to other uses. With proper guidance, it could implement smart growth objectives by helping direct the pace of industrial development and controlling sprawl.

Given the interests of the many actors and players in the process, reserving/ conserving industrial land can be accomplished through collaborations among state officials, planners and economic development practitioners in the local communities, and the private sector. What shape these collaborations take will be up to the parties involved, but we recommend establishing a formal partnership that can work within the limits of zoning ordinances and according to comprehensive plans while maintaining a statewide perspective. The partnership would be empowered to help developers locate the financing they need to acquire industrial land, and development would be keyed to the needs and interests of the host communities.

The quasi-public R.I. Economic Development Corporation may be the best starting point for this, given its statewide penetration and experience with the development of industrial parks. The EDC would take a leadership role in forming the partnership, and recruit members from municipal governments and the private sector. State agencies (e.g. DEM and Statewide Planning) might sit in as advisory members. On the other hand, a decentralized approach may be equally appropriate, where a series of regional, stand-alone, private nonprofit development corporations would establish individual partnerships in different parts of the state. In that instance, the nonprofits would do the recruiting, and would also draw upon relevant state agencies as well as municipal governments for public sector representation.

In either case, the mission would be the same: to undertake the role of industrial land broker on behalf of the entire community, region, or state. The lead organization, whether the EDC or a regional nonprofit, would be the conduit for funds to developers. The public purpose required of both the EDC and every nonprofit organization would link the goals and priorities established by the partnership closely with the State Guide Plan and the comprehensive plans of affected communities.

After its initial capitalization, an Industrial Land Reserve Fund could be conducted as a revolving loan fund. Again, either the EDC or a regional nonprofit development corporation could work well as a manager of the fund, given the EDC's

experience with financial programs and regional practitioners' experience with revolving loan funds.

How It Would Function: The Rhode Island Industrial Land Reserve Fund would provide financing for the advance acquisition of industrial land while preserving the normal market-driven mechanisms common to industrial development, including lending. Projects suitable for Industrial Land Reserve Fund financing might be those that are not likely to be underwritten by conventional lending institutions or public subsidy alone, but that could proceed if such funds were combined and leveraged.

The Industrial Land Reserve Fund could be designed to combine money from the private sector and from government programs such as the Community Development Block Grant Program or the DEM's brownfields program. This would cement its public purpose, the commitment of the private sector, and the active involvement of the state and the host community. The appropriate controls on the uses of the fund would be set by the legislation establishing it. Running the fund as a revolving loan program would avoid having to return each year to the Governor and the General Assembly for appropriations.

The Industrial Land Reserve Fund could feature a requirement for a city or town to nominate industrial-zoned parcels for inclusion in the program. This would be similar to the first step of the certification process for buildings in the mill rehab and reuse program, and be another means of securing local involvement and support. Projects could be selected for funding on the basis of several criteria:

1. Economic and financial viability (i.e., best potential for success).
2. Conformance to state and local land use plans (and other elements of the State Guide Plan and communities' comprehensive plans).
3. Amount of private funding leveraged.
4. Positive economic impact, including employment generation.
5. How quickly the project will return capital to the fund.

The need to reallocate funds in a revolving loan program would necessitate demonstration of a market demand to justify the investment and repay the loan.

There may be opportunities to expand the scope of the Industrial Land Reserve Fund at the point at which capital return to the fund from loan payments exceeds the amount of money being lent for new projects. Assistance might be made available for feasibility studies, including market analyses, and environmental review. The latter could work in tandem with assistance provided by the DEM for environmental assessments on brownfield projects. Grants for these purposes could be financed by the interest on loans or equity-derived profits from projects in the program's portfolio (depending on how the program is structured and who is managing it).

Statewide Planning, in recommending the formation of the Industrial Land Reserve Fund, is aware that there are numerous financing programs, often keyed directly to small businesses, that can assist in land acquisition. The funds allotted for these programs, however, are not for land acquisition exclusively; construction is financed through them as well, and the purchase of equipment. There is tough

competition for the funds available. We believe that a financing program dedicated specifically to the acquisition and reservation of industrial land for industrial purposes is necessary, in addition to those other programs, to accomplish the objectives of the *ILUP.*

06-02-02: Reusing Urban Industrial Properties

After decades of capital flight to the suburbs, urban areas are again being recognized as sources of enormous economic potential. As the *ILUP* stated in 1990,

> Preserving existing jobs in proximity to the labor force, taking best advantage of the existing transportation facilities and public infrastructure, will remain an important part of our economic strategy, especially for the state's older central cities… [F]or many cities, vacant manufacturing space is their most abundant economic development resource. ((11:6.4))

Absent the incentives now in place through Rhode Island's mill building rehabilitation and reuse program, old industrial buildings with reuse potential would likely be at a competitive disadvantage to newly constructed, purpose-built structures. This is due to the costs of retrofitting the structure to meet current industrial needs, which, generally speaking, do not favor multi-story structures. Rehabbing to meet the standards in modern building and fire codes has also been problem, with some rehabs producing a floor space cost equal to or exceeding new construction. ((103))

The mill building program does have limitations, however. The structure in question must be nominated by the city or town in which it is situated, and certified by the Enterprise Zone Council, before tax incentives become available. During the process it must be established that the building satisfies the requirements of the program – it must have been constructed before January 1, 1950, it must have a minimum of two floors excluding a basement, and it must have been at least 75 percent vacant for a period of 24 months. Additionally, a "substantial rehabilitation" must be proposed, worth at least 20 percent of the property's market value, and to be nominated for the program it must compete with other buildings of perhaps equal redevelopment potential.

What happens to the properties that do not qualify?

In 1990, before the mill building program was established, the *ILUP* proposed providing loans and grants to municipalities and local industrial development corporations for demolition, relocation, refurbishment and rehabilitation of industrial buildings and site improvements. We stressed a concentration on urbanized areas "to achieve the industrial retention, mixed use, and industrial facility reuse goals of the State Guide Plan." ((11:6.5)) We called our proposal the "Rhode Island Urban Land Assembly Program."

The staff believes that an Urban Land Assembly Program is still necessary, its purpose to serve those properties in urbanized areas that are ineligible for the mill building credits, were passed over by the cities and towns, or that do not have the

added attraction of location within an enterprise zone. It would be complementary to the Industrial Land Reserve Fund proposed above, and to the brownfields program. It would be restricted to urban areas as opposed to the more widely distributed Industrial Land Reserve Fund to underscore reuse and rehabilitation of abandoned or poorly utilized industrial sites likely to have access to infrastructure and local markets.

How It Would Work: In 1990, we suggested adapting the program from two already underway, respectively, in Michigan and Alabama. We turned to the Michigan Urban Land Assembly Act, which provides loans to cities and towns for land acquisition and industrial and commercial development. We pointed out what we called "two interesting features" of the Michigan program: a provision that allows loans to local development organizations, including economic development corporations, industrial development corporations, and private, non-profit corporations, and the option to provide deferred loans with no interest payments for as long as ten years to write down acquisition costs. ((11:6.5))

The Alabama Industrial Building Loan Program was cited for providing both loans and grants to municipalities and local industrial development corporations to pay a portion of the costs of site improvements for industrial firms. Funds would be used for conducting land and labor surveys, and for physical work on-site such as grading, draining, and providing access.

Alabama's program is capitalized by the sale of bonds by an authority, and an equity position in the project is assumed. This equity is the source of the program's grants. The amount of the grant is determined by a sliding scale that depends on the size of the project: for smaller projects, where total project cost is $100,000 or less, the grant amount is 6 percent; for very large projects, up to $10,000,000 in total cost, the amount is 1 percent. Title to the property must be held by a city, county, or industrial development board. ((11:6.5))

To qualify for Alabama's program, an industry must fall into SIC classifications 20-39. ((11:6.5)) Rhode Island's mill building program is similar in restricting benefits to commercial or industrial properties. It was originally envisioned to be restricted to manufacturing, like Alabama's program, but its reach was broadened to exclude only residential uses. To follow the goals of the *Industrial Land Use Plan,* however, industrial use *exclusively* (whether manufacturing, warehousing, or services) would be required in the Urban Land Assembly Program.

Assuming equity in the project recalls another Rhode Island program, the Urban Enterprise Equity Fund. This is a revolving loan fund used to provide equity to assist start-up and existing businesses secure funds from traditional lending institutions or public sector lenders. Seventy-five percent of the fund's financing is reserved for urban small businesses located in enterprise zones; the remainder is available to other urban area applicants. The amount of equity investment in any small business ranges from a minimum of $5,000 to a maximum of $100,000, at an interest rate of 6 percent and a 36-month term. Collateral is determined on a case-by-case basis, and may be in the form of a lien on corporate assets, personal assets, and stock, stock options, or stock warrants. ((85)), ((90))

The legislation enacting the Urban Enterprise Equity Fund also provided for an "urban business incubator" (see below) and might be an appropriate home, through amendment, for the Urban Land Assembly Program.

06-02-03: Enterprise Zones and Bank CDCs

Rhode Island's enterprise zone program and Bank CDCs are explained in full in Part 3 (pages 3.15-3.18). The former now numbers ten zones, in addition to a federally designated "empowerment community" zone where state enterprise zone tax benefits have been extended.

Based on community support and business participation, the enterprise zone program has been a success. In 1998 and 1999 alone, over 2,000 new jobs were reported in the enterprise zones by participating businesses.

Improvements to the program over the years have included a relatively new provision that rewards companies not only for conducting their business in enterprise zones, but for hiring enterprise zone residents as well. A scan of U.S. Census data by Statewide Planning ((91)) showed a significant number of Census tracts within enterprise zones with per capita incomes less than 80 percent of the national average (Table 212-06(1)). Increased employment of zone residents could lift these incomes and relieve this form of economic distress. ((92))

Experience with Bank CDCs appears limited to a CDC affiliated with Fleet Bank, although other banks are involved in community lending through the requirements of the federal Community Reinvestment Act. As mentioned in Part 3, the majority of Fleet's CDC borrowers are in the service or retail sectors. ((84))

In August, 1999, Fleet's CDC announced that it had closed a $5 million, ten-year loan with the Local Initiatives Support Corporation (LISC) to support the latter's affordable housing and economic development efforts throughout the Northeast, including Rhode Island. This was the latest development in the "multi-faceted relationship" Fleet has maintained with LISC, the nation's largest economic development intermediary, since 1981. Fleet said it has provided more than $120 million to LISC and its affiliates, in equity, bridge financing, and grants, through its CDC or other channels. ((97:1))

Fleet's CDC is run as a wholly owned for-profit subsidiary of Fleet Financial Group. It was established in 1994 to assist small businesses located in low-to-moderate income Census tracts, with an emphasis on minority- and women-owned businesses. Its loans may range from $1,500 to $500,000, with most loans between $5,000 and $150,000. As indicated above, it is not limited to Rhode Island.

06-02-04: Business Incubators

The business incubator concept was relatively new and innovative in 1990, when we proposed it as an implementation mechanism in the original *ILUP.* While it is just beginning to establish a track record in Rhode Island, it has been used widely

enough in other parts of the country to become a rather conventional tool for economic development.

Business Incubators in Rhode Island: The legislation establishing the Urban Enterprise Equity Fund also directed the EDC "in furtherance of its responsibility to assist urban communities" to establish "an urban business incubator" in an enterprise zone. This is intended to be a "multi-tenant, mixed-use facility" serving companies engaged in light manufacturing, technology, services, and distribution – but not limited to them. Its function will be typical of an incubator: flexible leases, shared office equipment, use of common areas such as conference rooms, and access to business management, training, financial, legal, accounting, and marketing services. ((85))

The first such urban business incubator was founded in 1999 in South Providence, a distressed urban area that nonetheless is host to considerable economic

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TABLE 212-06(1):
CENSUS TRACTS IN R.I. ENTERPRISE ZONES WITH
PER CAPITA INCOMES LESS THAN 80% U.S. AVERAGE

Zone	City/town	Tract	% U.S. PCI	Population
Central Falls/	Central Falls	108	58.9	4,374
Cumberland	Central Falls	109	61.4	4,384
	Central Falls	110	59.4	4,718
	Central Falls	111	62.0	4,114
Mt. Hope	Warren	305	75.5	3,599
	Bristol	307	77.6	4,546
	Bristol	308	79.6	4,859
Pawtucket/	Pawtucket	151	58.8	4,832
Lincoln	Pawtucket	164	70.7	5,045
Providence/	Providence	1	63.3	9,066
Cranston	Providence	2	54.1	9,626
	Providence	5	39.0	2,564
	Providence	6	51.7	1,101
Providence	Providence	7	31.6	2,904
Zone II	Providence	19	65.4	4,913
	Providence	22	71.0	3,722
	Providence	25	65.7	2,321
Woonsocket/	Woonsocket	172	67.7	1,303
Cumberland	Woonsocket	174	63.1	4,215
	Woonsocket	179	76.9	3,535
TOTAL				**85,741**
Source: U.S. Census, 1990 (1989 data)				

activity in the form of *bodegas,* restaurants, manufacturing concerns, and other small businesses. The incubator is managed by a non-profit corporation known as Urban Ventures, whose directors are drawn from the surrounding community. The incubator is not restricted to industries from South Providence, but is open to all enterprises that meet the board's requirements. Businesses suited for admittance are restricted to:

- Light manufacturing;
- Service operations that are not restaurants, retail establishments, or distribution, warehouse, or wholesale operations; and
- Companies involved in one of the EDC's "designated industry clusters" (software, electronics, woodworking, metalworking, plastic manufacturing, media, jewelry, financial services, biotech, textiles, or printing).

Entrepreneurs participating in the incubator are expected to avail themselves of the incubator's services, grow, and graduate, after a maximum tenure of five years, to make room for new tenants. Their firms must have job growth potential and the potential to contribute to and diversify the local economy; be not more than two years old, employ not more than five persons, and require not more than 1,500 sq. ft.; be environmentally friendly, and prepared to cooperate with other incubator tenants; be able to sell goods and services outside the community; and genuinely benefit from the services provided by the incubator. Specific criteria govern selection and retention within the incubator. A coherent business plan is a must. ((93))

In return for meeting these criteria, firms can avail themselves of the incubator's low rent ($3 per sq. ft. per year), free computers and printers, and access to an executive conference room, training room, and business development assistance.

Another incubator is located at the Ocean Technology Center at the University of Rhode Island, established in 1997 as one of the state's first Research Centers of Excellence. The Ocean Technology Center functions as a unit of the university on its Narragansett Bay Campus, inside a 10,000-sq.-ft. building that houses administrative space, a large systems fabrication shop, an equipment development lab and an incubator area to provide business services for start-up companies. The Center expects to expand its incubator capacity as new companies develop from the research being conducted there. It also provides loans to small companies through a "Marine Enterprise Development Program" from grant funds provided from the U.S. Economic Development Administration and the EDC, and networking assistance by sponsoring meetings and helping groups find resources. ((94))

Incubators fit into the *Industrial Land Use Plan* as a recommended reuse of industrial buildings. While some of the older buildings may not be ideally configured for modern manufacturing, they can still provide incubator space that supports the entrepreneurial activity required to launch modern manufacturing or other firms.

Conversion of mill buildings to office space now is quite common, and this can include incubators. For example, the Urban Ventures incubator is located in an industrial building on Colfax Street in Providence. It is gratifying to see formerly

vacant or underutilized industrial property – a legacy of Rhode Island's manufacturing past – making a contribution once again to the state's economy.

06-02-05: Infrastructure Improvement

Infrastructure requirements figure heavily in the choice of sites by industry. Optimal utility service and access to transportation corridors are what make prime industrial sites prime. However, public water and sewer are available at barely half the industrial acreage that remains vacant (undeveloped) in Rhode Island. Only one of these acres in four has no physiographic constraints to construction (i.e., poorly drained soils, flood hazard zones, or slopes).

Capitalizing new investment in infrastructure is a major challenge to municipal and state government. As with other public investment, innovative strategies are needed to minimize debt service costs and leverage available funds. Traditional financing schemes, such as pay-as-you-go appropriations or debt instruments (bonds), will not always be available.

In the original *ILUP*, Statewide Planning suggested considering dedicated taxes (tax increment financing programs) and an "infrastructure bank" run as a revolving loan fund to provide the capital for infrastructure investment. Impact fees were examined as well, but ultimately rejected: it would be difficult, the staff concluded, to apportion costs and set the fees equitably for developers when the improvements could benefit parties outside their development. This could happen, for example, when utilities are being extended along a corridor to an industrial park. Moreover, assessing impact fees could be a disincentive to industrial development if new sites become so expensive that they are uncompetitive with other sites in the same market area.

The *ILUP* also observed that while popular opinion supports having the developer and subsequent user shoulder the burden of infrastructure development, there is a clear "public purpose in providing environmentally acceptable industrial sites to sustain the economy." That public purpose, it was argued, justifies the use of public funds. Tax increment financing (TIF) was recognized as one approach for providing public assistance that has been tried successfully in other parts of the country. Also meriting consideration was the establishment of an infrastructure bank, working in tandem with TIF.

How It Would Work: A typical tax increment financing scheme begins with issuing bonds, in this case specifically earmarked for infrastructure extension or improvement. These bonds are repaid by funds equivalent to the difference between tax revenues generated by the "improved" property (i.e., the development), and those generated by the same property before development. A TIF arrangement would only work if the development would increase the tax baseline sufficiently to repay the bonds. ((11:6.12))

An infrastructure bank would make loans available to communities at below-market interest rates for expansion, improvement, or even repair and maintenance. The bank could be capitalized by bonds and federal aid programs and leveraged with

tax increment financing. Unlike a one-time, project-specific TIF program, however, the bank would be operated as a revolving loan fund. Loan payments to the bank would be dedicated to meeting the initial bond obligations and federal match requirements. Once those obligations were met, the payments would be reserved to capitalize loans for subsequent projects. ((11:6.11))

06-03: Site Assessments and Permitting

A potentially large inventory of industrial-zoned land with physiographic constraints and environmentally sensitive areas would become eligible for development assistance through one or more of the proposed programs of this plan. Extended delays for projects funded by the Industrial Land Reserve Program or other revolving loan programs, in addition to eroding the marketability of the land, would also paralyze rollover of the loan fund. One type of delay could result from the permitting process if environmental assessments undertaken by the developer are incomplete or poorly documented.

It is beyond the scope of this plan to suggest procedural changes by the various permitting agencies, federal, state, or local. What can and should be done is to assure that regulators are provided with the most complete package of documentation possible for any project supported by the state's incentive programs. Toward this end, the staff believes that funding for physical assessments of these projects – including site surveys, drainage characteristics, and geotechnical data – should be eligible program expenditures. A preliminary engineering survey of a site may also require an environmental assessment to facilitate review.

There is a precedent for this in the DEM's brownfields program. An environmental assessment is required of a brownfields site to set conditions and a schedule for site remediation. This may be handled by a loan program set aside for this purpose if the property being redeveloped has been formally identified as a "priority site for economic development." (A Certificate of Critical Economic Concern is required from the Economic Development Corporation.) A portion of the state's tire site remediation account was made available to the EDC to capitalize these loans; repayments would go back to that account. ((95))

It is also important for developers to educate themselves as to what makes an application for a permit complete and defensible. Regulating agencies can assist by conducting "permitting workshops," particularly when new regulations are promulgated, and preapplication conferences between themselves and developers whenever appropriate. The EDC's involvement is appropriate as well whenever a project is deemed of critical economic concern.

06-04: Finance

The 1990 *ILUP* set a price for capitalizing its proposed revolving loan programs: $30-40 million. In the intervening ten years, that figure would have changed due to inflation (an increase) and the degree of development that has already proceeded on

sites the staff expected to be candidates for funding (a decrease). On the other hand, development is likely to have become more expensive in general. The sites on which development has occurred since 1990 have been sites in which the least physical preparation or infrastructure improvement was necessary. The sites that remain are the challenge, leaving the amount needed in the tens of millions of dollars.

What options are available for financing this plan's revolving loan programs?

06-04-01: Bonds

Revolving loan funds may be capitalized by bonds. The magnitude of public debt in Rhode Island, however, is a concern. Voters over the years have become increasingly wary of bond issues without a specific, targeted purpose (e.g., the Freight Rail Improvement Project or the Coastal Institute at the University of Rhode Island). Bond issues have to be "sold" to the public, like any other referendum.

The 1990 *ILUP* mentioned oversells of general obligation bonds, which are exempt from federal taxes, as a funding source:

> Ninety-five percent of a general obligation bond issue must be used for its stated public purpose; however, the remaining five percent does not appear subject to a public purpose test. The five percent oversell is normally utilized to pay for issuance expenses of the bond issue, which typically represent 2.0 to 2.5 percent, leaving the remaining unrestricted funds potentially available for economic development purposes. ((11:6.16-6.17))

Applied to one general obligation bond, the two-percent remainder would yield relatively low proceeds. For example, for a $50 million issue, this two percent would represent $100,000. However, if the principle were applied to all general obligation funding, the oversell program could generate significant unrestricted funds to capitalize a revolving loan program.

Or, a general obligation bond referendum could demonstrate a "predominant public purpose" in an infrastructure project to pass the test for tax-exempt issues. Those projects that produce a secure revenue stream could be the source of a revolving loan fund for subsequent projects. As the latter projects generate their own revenue stream, repayments would be made to replenish the fund.

06-04-02: Federal Assistance

An agency within the U.S. Department of Commerce, the Economic Development Administration (EDA), has been key to economic development in Rhode Island, supplying planning grants and public works grants for years that have helped the state implement its *Economic Development Strategy*. The grants are usually very competitive, as eligible parties from all regions of the country apply and appropriations are debated by Congress. The staff sees a future in the programs we have proposed above to meet the non-federal match requirements for the public works grants, which are primarily "bricks and mortar."

Another EDA grants program, the Economic Adjustment Grants, allows successful applicants to use a federal grant as a capitalization source for a revolving loan fund. States, municipalities, Indian tribes, CDCs, and nonprofit development organizations may be eligible, provided certain distress criteria apply for the area. "Implementation grants" under the program provide money for infrastructure improvements ("site acquisition, site preparation, construction, rehabilitation, and/or equipping of facilities") and revolving loan funds for business or infrastructure financing, in addition to other activities such as market or industry research and analysis, technical assistance, and training. ((96:26))

The program's Revolving Loan Fund (RLF) Grants are awarded on the basis of "the need for a new or expanded public financing tool to enhance other business assistance programs and services targeting economic sectors and/or locations" identified in the applicant's CEDS. Also essential is "the capacity of the RLF organization to manage lending, create networks between the business community and other financial providers, and contribute to the [economic] adjustment strategy." ((96:27))

While the opportunity presented by this program should not be missed, it must be noted that the eligibility requirements limit its use to very specific circumstances: reductions in civilian employment due to military base closures or other defense cutbacks, declared disasters or emergencies, international trade impacts, fishery failures, long-term economic deterioration, or loss of a major community employer. ((96:25)) Rhode Island has fallen victim to these sorts of "adjustments" in its recent past, but that is hardly a guarantee that the state will be eligible in the future. As one outcome of the annual CEDS process, the state will continually monitor economic distress in Rhode Island communities and be able to detect negative trends that do last over the long term. The Economic Adjustment Grants program should remain an option in such instances.

06-05: Recommendations

A. Industrial Land Reserve Fund

1. Statewide Planning recommends the formation of an Industrial Land Reserve Fund. There are numerous financing programs now in existence, often keyed directly to small businesses, that can assist in land acquisition. The funds allotted for these programs, however, are not for land acquisition exclusively; construction is financed through them as well, and the purchase of equipment. There is competition for the funds available. We submit that a financing program geared specifically to the acquisition and reservation of industrial land, for industrial purposes, is necessary in addition to these other programs to accomplish the objectives of the *Industrial Land Use Plan.*

2. We also recommend that the R.I. Economic Development Corporation be responsible for the Industrial Land Reserve Fund, given the EDC's statewide interest in economic development. The Reserve Fund should be run with the express purpose of

providing low-interest gap financing on a revolving loan basis to municipalities, private non-profit development corporations, and agencies of the state when appropriate.

3. The EDC should also establish a separate fund financed by interest payments and equity from the Reserve Fund to provide funding assistance in the form of matching grants for feasibility studies, market analyses, and environmental reviews of land reserve and land assembly projects.

4. Communities should keep track of brownfields initiatives that can link financial and technical assistance from participating federal agency programs with the reuse and rehabilitation of industrial properties.

B. Urban Industrial Land Assembly Program

1. In addition to the Industrial Land Reserve Fund, which would extend to rural and suburban as well as urban communities, there should be established an Urban Industrial Land Assembly Program. As this would appear to be a logical offshoot of the EDC's responsibility for the state's enterprise zone program and mill building reuse program, we recommend the Corporation take charge of this program as well.

2. The Urban Industrial Land Assembly Program should be run as a "one-stop shop" that makes low-interest financing accessible to those seeking to acquire industrial properties for reuse. Financing from this program should not disqualify applicants from any tax benefits from existing programs, including both the enterprise zone and mill building reuse programs.

3. While properties outside enterprise zones would be eligible for inclusion in the Urban Industrial Land Assembly Program, the program would be limited to urban communities. The intent of the program is to incentivize the reuse underutilized, neglected, and abandoned properties in these communities.

4. As the first tangible results of an urban land assembly program might be on a relatively modest scale, we encourage that they be directed toward establishing additional business incubators. Linkages with institutions of higher learning (as in the Ocean Technology Center incubator) and community activists (as in the Urban Ventures incubator) should continue to be promoted.

C. Bank Community Development Corporations (CDCs)

1. Presuming that all leading banks in Rhode Island have an interest in meeting their obligations under the Community Reinvestment Act, the establishment of additional Bank CDCs should be promoted.

2. Toward this end, we recommend that a working group be convened of state banking regulators, bankers, economic development officials, and neighborhood groups to investigate the feasibility of dedicating a Bank CDC to industrial development or redevelopment.

3. If it is inappropriate or impractical for the Economic Development Corporation to manage any of the programs proposed above, or if a more decentralized approach is desirable, the possibility should be considered of using Bank CDCs for these purposes with appropriate oversight. Otherwise, Bank CDCs should be tapped to provide bridge financing or grants to supplement these programs.

4. Linkages with the state's Urban Enterprise Equity Fund should be established immediately. The equity fund and Bank CDCs can complement each other in enterprise zones and non-zone urban areas.

D. Enterprise Zones

1. The enterprise zone program should build upon its successes and continue its outreach to businesses and communities. The system of regional contacts for enterprise zone information augments the coordination work of the EDC and should be supported. This could also be a conduit for information about other programs proposed in this plan, for example the Urban Industrial Land Assembly Program.

2. Changes to the enterprise zone program should occur only after consultation with the Enterprise Zone Council and with the Council's approval. This includes the addition of zones to the program, modifications of boundaries of existing zones, and changes to the mill building reuse program.

3. If additional programs are implemented within the Economic Development Corporation to complement the enterprise zone program, for example urban industrial land assembly, provision must be made for adequate EDC staffing. Capitalization of any revolving loan fund supporting these programs should include an administrative budget, which can subsequently be met by the loan repayments that will recapitalize the fund.

4. Given that properties in the mill building program are often surrounded by residential neighborhoods, communities should apply industrial performance standards to encourage appropriate and compatible uses. Where necessary, technical assistance programs should be established to help modernize and enforce performance standards, with the involvement of the DEM, the Building Codes Commission, and the Statewide Planning Program.

E. Infrastructure Bank

1. The EDC should determine the best vehicle for an infrastructure bank to provide below-market financing to communities for public infrastructure. The loan activities of this bank should be closely coordinated with the activities of existing programs in the fields of potable water, wastewater treatment, and transportation, to ensure that scarce financial resources are used prudently.

2. Communities should be encouraged to use tax increment financing to fund infrastructure improvements. The EDC should support this effort by exploring the feasibility of a bond bank to facilitate municipal TIF programs through credit enhancement and by combining smaller issues to obtain the most favorable rates.

F. Site Assessments and Permitting

1. There should be financial support from the state for site assessments at brownfield sites designated priority sites for economic development. The public purpose in cleaning these properties and returning them to productive use has been established and is generally accepted. Other means may be required, however, than (or in addition to) the tire site remediation account.

2. The DEM, Coastal Resources Management Council, and other permitting agencies, including local ones, should use comprehensive preapplication conferences between regulators and developers, together with, whenever appropriate, representatives of the EDC. These conferences should acquaint developers with what is expected from them in a project application, introduce the appropriate contacts in state and local government for permits and regulatory advice, and answer any questions about funding programs on the state, local, or federal level.

06-06: Summary

The *Industrial Land Use Plan* demonstrates that there is an imminent shortage of readily developable industrial-zoned land. This condition portends a threat to the growth of the Rhode Island economy beyond "virtual" industry run out of home offices. The historical development of industrial land, driven primarily by locational factors prevalent in the heyday of the textile and metals industries, has left us with a large stock of mill buildings and other heavy industrial sites, some of which, by dint of configuration or location, may be unsuitable for contemporary industrial use.

To its credit, Rhode Island has begun to address the problem of decaying infrastructure in urban areas and abandoned factory buildings. The state can point proudly to its enterprise zone and mill building reuse programs, and to pilot projects undertaken to reclaim brownfield sites. But while providing for the beneficial reuse of existing facilities, we need to turn our attention to upgrading marginal undeveloped industrial land, and making the best use of all our resources through varied and flexible strategies. Happily, efforts in this direction also promote a renewed commitment to sustainable development, which is popularly associated with the "smart growth" movement.

Table 212-06(2) (second page following) shows the various mechanisms by which the *ILUP's* recommendations may be implemented. The plan has identified five industrial land use goals (pages 2.19-2.20):

- Place sufficient land in reserve to sustain economic growth without compromising the state's quality of life.

- Employ "mixed use" as a strategy for industrial land use wherever economically and environmentally feasible.

- Assure to the maximum extent possible the appropriate use of prime industrial land by "matching the plant to the land."

- Promote sustainable development through waste control and reuse of older industrial facilities.

- Encourage business partnerships that can nurture growing companies with much potential, co-locating them to encourage clustering, networking, and synergy.

The matrix in the table keys the various implementation mechanisms recommended in this plan to the goals they satisfy. Together with the policies derived in Part 212-03, they represent the tools needed for an effective, contemporary *Industrial Land Use Plan.*